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STATE OF MONTANA  
DEPARTMENT OF LABOR AND INDUSTRY  
LABOR STANDARDS DIVISION  
REPORT ON AUDIT

Conducted Under Contract By  
Peterson and More, CPA's

Fiscal Year Ended June 30, 1975



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STATE OF MONTANA  
**Office of the Legislative Auditor**

STATE CAPITOL  
HELENA, MONTANA 59601  
406/449-3122

The Legislative Audit Committee  
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Department  
of Labor and Industry, Labor Standards Division for the year ended June  
30, 1975.

The audit was conducted by Peterson and More, CPA's of Great  
Falls, under a contract between the firm and our office. The comments  
and recommendations contained in this report represent the views of the  
firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is  
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in dark ink, reading "Morris L. Brusett". The signature is written in a cursive, flowing style.

Morris L. Brusett, C.P.A.  
Legislative Auditor



TABLE OF CONTENTSPAGE

Administration Officials	1
Summary of Recommendations	2
Auditors Opinion	3
General Comments	5
Specific Comments and Recommendations	
Wage Trust Account	6
Billing Procedure	8
Revenues	9
Unexpended Grant Revenue	10
Appropriation Expenditure Allocation	12
Fixed Assets	13
Accounting Errors	14
Final Comments	17
Financial Statements	
Exhibit A - Balance Sheet	18
Exhibit B - Statement of Changes in Fund Balance	19
Exhibit C - Revenue and Income	20
Exhibit D - Statement of Expenditures Compared With Appropriation	21
Exhibit E - Statement of Expenditure by Program	22





DEPARTMENT OF LABOR AND INDUSTRY

LABOR STANDARDS DIVISION

ADMINISTRATION OFFICIALS

Sidney Smith - Commissioner, Department of  
Labor and Industry

Tony Softich - Administrator, Labor Standards  
Division

Audrey Gibson - Accountant

Robert Jensen - Executive Secretary, Board of  
Personnel Appeals

Raymond Brown - Bureau Chief, Human Rights  
Division

Susan Bartlett - Bureau Chief, Women's Bureau



## SUMMARY OF RECOMMENDATIONS

PAGE

<u>Wage Trust Accounts:</u> To establish and maintain a control ledger for funds held in trust. To establish a written procedure policy with regards to handling of these funds	8
<u>Billing Procedure:</u> To establish and maintain an unpaid listing for fact finding costs billed out. To use a standard, prenumbered invoice to bill such costs.	9
<u>Revenues:</u> Review with the Department of Administration the classification of current year's revenues and determine whether to accrue revenue due but not collected.	10
<u>Unexpended Grant Revenue:</u> To repay the excess of receipts over disbursements under the Public Service Employment Grant. To establish accounting methods where federal fund are spent prior to state funds where applicable.	12
<u>Appropriation Allocation Adjustment:</u> To establish accounting methods which insure that support appropriations are properly charged with the proper support expenditures.	13
<u>Fixed Assets:</u> To establish and maintain a numerical control over fixed assets and take an annual inventory which is compared to this control.	14
<u>Accounting Errors:</u> To establish a policy where authorized department personnel review monthly accounting statements.	16



*Peterson & More*  
CERTIFIED PUBLIC ACCOUNTANTS

The Legislative Audit Committee  
of the Montana State Legislature:

We have examined the balance sheet of the Department of Labor and industry, Labor Standards Division as of June 30, 1975 and the related statements of operations and of changes in fund balance as set forth in the table of contents in this report, for the year then ended. Our examination was made in accordance with generally accepted accounting standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The division had unrecorded accounts receivable at June 30, 1975 of \$37,547.77. This omission is inconsistent with the accrual basis of accounting and results in material understatement of Federal & Private Revenue Fund assets in the accompanying balance sheet as well as understatement of revenue in the statement of revenue and income.

Additionally there was a misclassification of expenditures for Personal Services in the Labor Standards Division Program between the Veterans' Administration fund and the general fund resulting in a material distortion of expenditures between funds within the Labor Standards Division Program.

Because of the materiality of the above described omissions and errors, in our opinion the accompanying financial statements do not present fairly the financial position of the Department of Labor and Industry, Labor Standards Division at June 30, 1975, and



the results of its operations and changes in fund balance for  
the year in conformity with generally accepted accounting principles.

Respectfully submitted,

*Peterson & More*

PETERSON & MORE

Certified Public Accountants

Dated: Dec. 19, 1975





## COMMENTS

### GENERAL

The Labor Standards Division is a state agency under the Department of Labor and Industries. During the fiscal year four different bureaus were administered within the Labor Standards Division. They were, Labor Standards Division, Board of Personnel Appeals, Human Rights Bureau, and Women's Bureau. The primary function of each of the bureaus are as follows: Labor Standards Division; to administer the state labor and wage laws, including minimum wage and hour law, wage payment plan, wage collection act, licensing of private employment agencies, apprenticeship and on-job-training which also includes these programs for veterans and the administration of many other labor laws.

The Labor and Standards Division has been functioning since 1951, however it has only been since the late 1960's that these labor laws have been enacted.

The Board of Personnel Appeals, was created in 1973. It is regulated by the Labor Standards Division in administrative purposes only. The major areas of responsibilities of the board are: (1) administering the Collective Bargaining Act, (2) appeals board for state employees under the classification and wage plan, and (3) grievance hearings for the Department of Highways employees.

The Human Rights Bureau was created in 1974 and is regulated by the Labor Standards Division for administrative purposes. The scope of their responsibilities include investigation and hearings



of cases involving the right of an individual to be free of discrimination, whether it be because of race, creed, color, sex, national origin, physical or mental handicap or marital status and investigate civil right violations in employment, public accomodations, education and financial institutions or labor organizations.

The Women's Bureau was created in 1973 and is regulated by the Labor Standards Division. The main function of the bureau is to establish policies which will enable women to contribute their fullest potential to society. It is an educational and program service orientated bureau which brings public awareness to the employment problems of women.

Each of the above mentioned agencies is located in Helena, Montana. During fiscal year ended June 30, 1975, all bureaus operated out of the same office, space except for the Human Rights Bureau which moved its office space at mid-year. Subsequent to June 30, 1975, the Board of Personnel Appeals and the Women's Bureau have moved and established their own place of operation. All of the accounting required for the Statewide Budget and Accounting System is done at the offices of the Labor Standards Division in Helena, Montana.

#### Wage Trust Account

In administering the function of handling wage claims and violations of Montana wage laws, the Labor Standards Division deposits wages collected on behalf of a claimant into a wage trust



account, which is part of the Statewide Budget and Accounting System and disburses state warrants to the individual for whom these wages were collected. Procedures and controls over the collection and disbursement of these funds are inadequate.

- (1) \$5014.80 of funds had been collected and undistributed at June 30, 1975.
- (2) A subsidiary detail ledger is maintained on the Statewide Budget and Accounting System, however the present use of this system is inadequate to maintain proper accountability of these funds.
- (3) Internal control over the receipt and disbursement of these funds is inadequate as the same person(s) receives the checks before deposits are made and subsequently requests state warrants to be issued and actually disburses the warrants by mail. These personnel are also responsible for handling the case files.
- (4) The wage trust account was started in June 1974 and since that time all wage violations or claims are requested to be paid to the Labor Standards Division and they will in turn be responsible for the disbursement of the money to the employee. This was done to aid in the administration of a state law which stipulates that if wage violation claims can not be delivered to the employee within two years, this money is to revert to the general fund. The division does not have written policies with regards to the authorizations and procedures for the trust funds.



## RECOMMENDATION:

We recommend that the Labor Standards Division:

- (1) Establish a system of accountability of the wage trust funds on deposit. This subsidiary listing should have the capability to show to whom the funds presently on hand are being held in trust for, as well as the employer. If the subsidiary detail listing presently used is not capable of providing this information, then the division should establish a control within the agency.
- (2) Establish a written procedure policy with regards to the handling and authorization for payment of these wage collection trust funds as well as administering the entire processing of wage claims, violation collections, and case file handling, whether the funds are paid to the Labor Standards Division or to the employee direct by the employer.
- (3) Warrants issued for disbursement of the trust funds should be mailed by the State Accounting Department after preparation.

## Billing Procedure - Board of Personnel Appeals

In the course of performing its function, the Board of Personnel Appeals sometimes hires fact-finders to help resolve some of the cases. By law, the Board of Personnel Appeals can charge the two parties in the case involved one-third, each, for the costs incurred in hiring the fact-finder. The Board of Personnel Appeals pays the remaining one-third cost. The procedure for billing these costs and subsequent control over any unpaid amounts is inadequate. Amounts are billed





by a letter requesting payment. This letter is then filed in the case folder and is marked "paid" upon receipt of the money, however this is not always done. In order to determine those parties which have been billed but have not paid, each file would have to be reviewed to ascertain which parties have or have not paid. This is not satisfactory.

#### RECOMMENDATION:

We recommend that the Labor Standards Division:

- (1) Establish and maintain a current listing of amounts billed but unpaid.
- (2) Establish a system of billing on a standard, prenumbered form, a duplicate of which is retained in the case file.
- (3) Establish a system of ledger card control over amounts billed indicating whom billed and case involved and subsequent payments thereon. Accounts receivable control should be maintained by the Board of Personnel Appeals outside SBAS.

#### Revenues

Revenue as reported in the Statewide Budget and Accounting System is substantially misclassified as presented. The Veterans' Administration Grant reimburses the Labor Standards Division for actual costs incurred, subject to a predetermined formula. These reimbursements are always subsequent to the period for which the expenditure was incurred. In fiscal year ended June 30, 1975 the Labor Standards Division collected \$17,407.80 from the Veterans' Administration for reimbursement of fiscal year ended June 30, 1974



expenses. This amount was shown as current year's budgeted revenue. In addition the Labor Standards Division had not received the following money from the Veteran's Administration at June 30, 1975:

Invoice for quarter ended March 31, 1975	\$18,492.81
Final invoice for year ended June 30, 1975	<u>19,054.96</u>
Total	<u>\$37,547.77</u>

#### RECOMMENDATION:

We recommend that the Labor Standards Division:

Review with the Department of Administration the classification of current year's revenues and determine whether to accrue revenue due but not collected at fiscal year end in order that current year's revenues and expenditures are properly matched.

#### Unexpended Grant Revenue

At June 30, 1975 the Labor Standards Division had grant revenue on hand which had not been expended for various reasons as follows:

Public Service Employment: This grant advanced funds to the Labor and Standards Division for the employment of individuals who qualify under the P.S.E. program. Advances are based on estimated monthly needs. At the end of the program, any funds advanced in excess of qualified reimbursable costs were to be returned to the grantor. The final report filed by the Labor Standards Division was filed in error. The report indicated that the actual funds received equalled the actual qualified expenditures. We determined that the report was not based on the Statewide Budget and Accounting System's year end report of expenditures to that program, rather it was based on the budgeted estimate of funds needed. We also found that the final year-end expenditure report was incorrect because



of an error made in the year-end accrual of payroll. We calculated the amount due P.S.E. for fiscal year ended June 30, 1975 as follows:

Funds received	\$ 16297.88
----------------	-------------

Less: Expenditures

Salaries and benefits-SBAS FYE 6/30/75	\$ 15979.00
--	-------------

<u>Add: Accrual error</u>	<u>192.66</u>	<u>16171.66</u>
---------------------------	---------------	-----------------

Refund due P.S.E.	<u>\$ 126.22</u>
-------------------	------------------

Equal Employment Opportunity Commission (EEOC)

The Human Rights Bureau is funded by a state general fund appropriation and they also received a grant from the EEOC to conduct investigations and resolve cases referred to them by EEOC. This grant is for the calendar year ending December 31, 1975. As of June 30, 1975 the Labor Standards Division - Human Rights Bureau has received \$15,537.00 in grant funds out of an available \$35,000.00. However, grant expenditures as of June 30, 1975 amounted to \$7678.74. Consequently at June 30, 1975 they have \$7858.26 of unexpended funds received and \$19463.00 of funds still available under the grant. Funds received but not expended by December 31, 1975 are to be refunded to EEOC according to the contract. EEOC authorizes only expenditures which are in compliance with the budget approved by them. Expenditures in the amount of \$52,505.55 were charged against the general fund appropriation.

Veterans Administration

We have matched the revenue attributable to fiscal year ended June 30, 1975 with the expenditures for appropriations for the Veterans' Administration program. As shown below, the Labor Standards Division has unexpended funds. However, since Veterans' Administration reimburses on an actual incurred expense basis plus a percentage amount as determined by V.A., for administrative costs, no refund is due V.A. This indicates



that the Labor Standards Division is not taking full advantage of federal funds and are spending out of general fund appropriations before all federal revenue has been spent.

V.A. dollars received and deposited -

for fiscal year ended 6/30/75	\$33,433.64
-------------------------------	-------------

V.A. dollars due at 6/30/75 for

fiscal year ended 6/30/75	<u>37,547.77</u>
---------------------------	------------------

Available	\$70,981.41
-----------	-------------

<u>Less: V.A. appropriation expenditures</u>	<u>66,178.19</u>
--	------------------

Excess received over expenditure allocated	<u>\$ 4,803.22</u>
--	--------------------

#### RECOMMENDATION:

We recommend that the Labor Standards Division:

1. Repay the excess revenue over expenditures due on the P.S.E. Grant.
2. Establish a policy that federal funds received are all properly expended in accordance with the grant contract and at the same time in compliance with state law, thus eliminating the situation, as in Veterans' Administration funding, where the financial statements reflect funds were granted but not spent due to improper appropriation expenditure allocation and as in the EEOC funding, where general fund money is being used when federal dollars are available.

#### Appropriation Expenditure Allocation

In our review of the Labor Standards Division Program expenditures we noted the following situation:

(1) Two basic sources of funds exist:

(a) General Fund appropriation

(b) Veterans' Administration Grant Revenue





- (2) Veterans' Administration is invoiced for actual costs on a quarterly basis. Even though the reimbursement is for actual costs, it is determined separately from expenditures as they are allocated to the Veterans' Administration Revenue appropriation for the accounting reports.
- (3) The allocation of this program's expenditures to the two basic appropriations is not consistent with actual allocation. Therefore the Statewide Budget and Accounting System Reports will not reflect the same costs for the Veterans' Administration appropriation as the invoice for reimbursement of these costs.

#### RECOMMENDATION:

We recommend that the Labor Standards Division:

1. Establish a policy that support appropriations are charged only to authorized expenditures. In the specific situation of the Veterans' Administration the support appropriation should be charged only for expenditures claimed as reimbursable costs and other administrative expenditures equal to the amount reimbursed by the V.A.

#### Fixed Assets

Fixed assets of the division are limited to office furniture and equipment. At the present time these assets are located in four separate offices, as there are four programs functioning under this division and each operates out of a different office location.



The agency is responsible for the care and custody of these assets, which require adequate control to assure that these assets are protected against unauthorized use and disposition. Records required to maintain satisfactory control over these assets are inadequate. We found no control was kept over the assets in fiscal year ending June 30, 1975.

#### RECOMMENDATION:

We recommend that the Labor Standards Division:

1. Establish a detailed number control ledger over all fixed assets, properly updated for additions and deletions of fixed assets.
2. Establish a policy of taking an annual inventory and comparing it to the detailed number control ledger.

#### Accounting Errors

Our audit disclosed various accounting errors made during the fiscal year which were not corrected prior to fiscal year end, and accordingly resulted in inaccurate statements rendered by the Statewide Budget and Accounting System. These errors are as follows:

- (1) \$5.44 collected by the Board of Personnel was deposited in the general fund of the Labor Standards Division and credited to property held in trust. It should have been deposited to the Board of Personnel Appeals Revolving Account and credited to Budgeted Revenue.
- (2) At June 30, 1974 an expenditure was over accrued by \$130.80 in the Board of Personnel Appeals Program. This excess was removed from the books by a journal voucher



which credited support expenditures. This should have been credited to prior-years' expense adjustments. We have reflected this adjustment in the financial statements.

- (3) An eligible expenditure under the Board of Personnel Appeals I.P.A. Grant of \$138.75 was paid by the Board of Personnel Appeals general fund appropriation in error, and support expenditures was charged. Upon reimbursement of the expenditure, the money was credited to non-budgeted revenue. It should have been credited against the original account charged, support expenditures. We have reflected this adjustment in the financial statements.
- (4) An amount of \$100.00 is still being carried on the books for the Private Employment Agency Account for dishonored checks. This amount was carried over from fiscal year end June 30, 1974 and has been collected. This amount should be adjusted off the books into fund balance. We have reflected this adjustment in the financial statements.
- (5) Salary accrued at June 30, 1974, in the amount of \$270.07 was paid and charged against support expenditures in error. An entry to correct the accrual still on the books was credited to prior year's expenditure adjustment. Support expenditures, the account originally charged, should have been credited.
- (6) Prior year's revenue of \$17,407.80 from the Veterans' Administration was collected in fiscal year ending June 30, 1975 and was shown as budgeted revenue. We have



- reflected this adjustment in the financial statements.
- (7) Wages collected in trust of \$600.00 were collected in June, 1974 and classified to fund balance. This should be classified as Property Held in Trust. We have reflected this adjustment in the financial statements.
  - (8) \$68.02 is being reflected as dishonored checks on hand at June 30, 1975 in the Wage Trust Fund. This amount should be adjusted against Property Held in Trust as the checks making up this amount have been re-deposited or are uncollectible. We have reflected this adjustment in the financial statements.
  - (9) A review of year-end expenditure accruals revealed that the salary accruals were incorrectly calculated and allocated against the appropriations.
  - (10) Due to a key punch error at the State Accounting office a duplication of an amount of \$91.90 was charged against support expenditures for the Board of Personnel Appeals program in June 1975. This error was not corrected in fiscal year ended June 30, 1975.

#### RECOMMENDATIONS:

We recommend that the Labor Standards Division:

- (1) Establish a policy of monthly financial statement review by authorized program personnel. The review should include, but not necessarily be limited to; balancing of statements transactions to monthly transactions; balancing of property





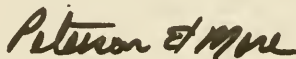
held in trust to a detailed subsidiary listing, and  
a general review of balance sheet items, questioning  
unusual items.

Final Comments

We have reviewed the preceding comments and recommendations  
with the Commissioner of the Department of Labor and Industries and  
with the Administrator of the Labor Standards Division.

We wish to express our appreciation to these officials and  
their respective staffs for their cooperation and assistance in  
this audit.

Respectully submitted,

A handwritten signature in dark ink, appearing to read "Peterson & More", written in a cursive style.

PETERSON & MORE

Certified Public Accountants

Dated: December 19, 1975



LABOR STANDARDS DIVISION

ALL FUNDS

BALANCE SHEET

JUNE 30, 1975

	GENERAL FUND	PRIVATE EMPLOYMENT AGENCY FUND	FEDERAL & PRIVATE REVENUE FUND	BOARD OF PERSONNEL APPEALS REVOLVING FUND	COLLECTION TRUST FUND	WAGE
ASSETS						
Cash in Treasury	\$ 5 44	\$ 4 199 55	\$ 6 854 69	\$ 1 066 24	\$ 5 014 80	
Encumbered Appropriation	9 703 73					
Total Assets	<u>\$ 9 709 17</u>	<u>\$ 4 199 55</u>	<u>\$ 6 854 69</u>	<u>\$ 1 066 24</u>	<u>\$ 5 014 80</u>	
LIABILITIES & FUND BALANCE						
Accrued Support Expenditures	\$ 9 703 73		\$ 1 695 37		\$ 5 014 80	
Account For Property Held						
in Trust	5 44		7 984 48			
Unexpended Grant Revenue		\$ 4 199 55	( 2 825 16)	\$ 1 066 24	-0-	
Fund Balance-Exhibit B	-0-					
Total Liabilities & Fund Balance	<u>\$ 9 709 17</u>	<u>\$ 4 199 55</u>	<u>\$ 6 854 69</u>	<u>\$ 1 066 24</u>	<u>\$ 5 014 80</u>	

Exhibit A



# LABOR STANDARDS DIVISION

## ALL FUNDS

### STATEMENT OF CHANGES IN FUND BALANCE

FISCAL YEAR ENDED JUNE 30, 1975

	GENERAL FUND	PRIVATE EMPLOYMENT AGENCY FUND	FEDERAL & PRIVATE REVENUE FUND	BOARD OF PERSONNEL APPEALS REVOLVING FUND	WAGE COLLECTION TRUST FUND
Balance July 1, 1974	-0-	\$ 2 933 21	\$ 2 263 20	\$ 53 85	\$ 600 00
Receipts and Additions:					
Appropriation From					
General Fund	\$ 376 603 00				
Revenue and Income					
Exhibit C	329 76	2 225 00	82 686 83	1 012 39	--
Under Accrual of					
Expenditures at					
June 30, 1974 - Net	24 33		9 775 15		\$ 600 00
Total Balance & Additions	\$ 376 957 09	\$ 5 158 21	\$ 94 725 18	\$ 1 066 24	\$ 600 00
Deductions:					
Expenditures-Exhibit D	\$ 359 949 21	\$ 858 66	89 835 93	--	
Prior Year Expenditure					
Adjustments	24 33		( 270 07)		600 00
Prior Year Classification					
Adjustment		100 00			
Unexpended Federal					
Grant Revenue					
Revenue Deposited to			7 984 48 (1)		
General Fund	329 76				
Reversions	16 653 79				
Balance June 30, 1975	(\$ -0-)	\$ 4 199 55	(\$ 2 825 16)	\$ 1 066 24	\$ -0-

(1) At June 30, 1975 this revenue had been received and not spent. Under the contract terms it should have to be repaid to the grantor or is a carryover to fiscal year ending June 30, 1976.



LABOR STANDARDS DIVISION

ALL FUNDS

STATEMENT OF REVENUE AND INCOME

FISCAL YEAR ENDED JUNE 30, 1975

	GENERAL FUND	PRIVATE EMPLOYMENT AGENCY FUND	FEDERAL & PRIVATE REVENUE FUND	BOARD OF PERSONNEL APPEALS REVOLVING FUND	WAGE COLLECTION TRUST FUND
Federal Funding Sources:					
Veterans' Administration-Grant			\$ 33 433 64		
Public Service Employment Grant			16 297 88		
Equal Employment Opportunities Commission Grant			15 537 00		
Private Employment Agency License Fees		\$ 2 200 00			
Private Employment Agency Transfer License Fee		25 00			
Workman's Compensation Dividend	\$ 329 76			\$ 1 012 39	
Reimbursed Costs of Fact Finding & Transcript copying			17 418 31		
Prior Year's Revenue Adjustments				\$ 1 012 39	-0-
Total	\$ 329 76	\$ 2 225 00	\$ 82 686 83		





LABOR STANDARDS DIVISIONALL FUNDSSTATEMENT OF EXPENDITURE COMPARED WITH APPROPRIATIONSFISCAL YEAR ENDED JUNE 30, 1975

<u>GENERAL FUND</u>	<u>74-75 APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>BALANCE</u>
Labor Standards Division Program			
Personal Services	\$ 135 176 00	\$ 123 975 68	\$ 11 200 32
Operations	25 200 00	33 030 41	( 7 830 41)
Capital	x xx	1 650 93	( 1 650 93)
Board of Personnel Appeals Program			
Personal Services	77 038 00	75 086 57	1 951 43
Operations	43 631 00	38 826 04	4 804 96
Capital	3 634 00	5 396 67	( 1 762 67)
Human Rights Program			
Personal Services	45 364 00	36 966 83	8 397 17
Operations	14 489 00	11 217 44	3 271 56
Capital	2 500 00	4 321 28	( 1 821 28)
Women's Bureau Program			
Personal Services	22 474 00	22 293 51	180 49
Operations	6 872 00	6 759 32	112 68
Capital	225 00	424 53	( 199 53)
Total	<u>\$ 376 603 00</u>	<u>\$ 359 949 21</u>	<u>\$ 16 653 79</u>
<u>Private Employment Agency Fund</u>			
Operations	\$ 250 00	\$ 534 50	(\$ 284 50)
Capital	1 150 00	324 16	825 84
Total	<u>\$ 1 400 00</u>	<u>\$ 858 66</u>	<u>\$ 541 34</u>
<u>Federal &amp; Private Revenue Fund</u>			
Veteran's Administration			
Labor Standards Division Program			
Personal Services	\$ 46 340 00	\$ 48 229 14	(\$ 1 889 14)
Operations	25 885 15	16 699 58	9 185 57
Capital	5 750 00	1 249 47	4 500 53
Public Service Employment			
Labor Standards Division Program			
Personal Services	9 732 00	9 040 90	691 10
Human Rights Program			
Personal Services	7 881 00	6 938 10	942 90
Equal Employment Opportunities			
Commission			
Human Rights Program			
Personal Services	7 902 00	3 299 52	4 602 48
Operations	3 730 00	4 251 99	(\$ 521 99)
Capital	x xx	127 23	( 127 23)
Total	<u>\$ 107 220 15</u>	<u>\$ 89 835 93</u>	<u>\$ 17 384 22</u>



# LABOR STANDARDS DIVISION

## ALL FUNDS

### STATEMENT OF EXPENDITURE BY PROGRAM

FISCAL YEAR ENDED JUNE 30, 1975

	LABOR STANDARDS DIVISION	BOARD OF PERSONNEL APPEALS	HUMAN RIGHTS BUREAU	WOMEN'S BUREAU	TOTAL
Personal Services:					
Salary	\$ 160 630 26	\$ 66 258 84	\$ 41 438 49	\$ 18 494 52	\$ 286 822 11
Other Compensation	332 93	269 06		1 099 11	1 701 10
Employee Benefits	20 282 53	8 558 67	5 765 96	2 699 88	37 307 04
Total	<u>\$ 181 245 72</u>	<u>\$ 75 086 57</u>	<u>\$ 47 204 45</u>	<u>\$ 22 293 51</u>	<u>\$ 325 830 25</u>
Operating Expenses:					
Contracted Services	\$ 1 929 30	\$ 19 919 93	\$ 806 95	\$ 475 88	\$ 23 132 06
Supplies and Materials	5 289 56	4 577 39	2 067 32	562 31	12 496 58
Communications	6 815 01	4 580 33	2 381 36	1 300 34	15 077 04
Travel	29 282 81	5 123 69	7 135 81	2 550 07	44 092 38
Rent	4 685 00	2 602 50	2 512 21	1 320 00	11 119 71
Repairs and Maintenance	404 59	167 85	12 00		584 44
Utilities	1 517 57	478 60	111 78	382 72	2 490 67
Other Expenses	340 65	1 375 75	442 00	168 00	2 326 40
Total	<u>\$ 50 264 49</u>	<u>\$ 38 826 04</u>	<u>\$ 15 469 43</u>	<u>\$ 6 759 32</u>	<u>\$ 111 319 28</u>
Equipment:					
Equipment	\$ 3 224 56	\$ 5 396 67	\$ 4 448 51	\$ 424 53	\$ 13 494 27
Total	<u>\$ 3 224 56</u>	<u>\$ 5 396 67</u>	<u>\$ 4 448 51</u>	<u>\$ 424 53</u>	<u>\$ 13 494 27</u>
Total	<u>\$ 234 734 77</u>	<u>\$ 119 309 28</u>	<u>\$ 67 122 39</u>	<u>\$ 29 477 36</u>	<u>\$ 450 643 80</u>

Exhibit E



AGENCY RESPONSE



# Department of Labor and Industry



449-3472

Helena, 59601

RECEIVED

JAN 20 1976

MONTANA LEGISLATIVE AUDITOR

THOMAS L. JUDGE  
GOVERNOR OF MONTANA

SIDNEY T. SMITH  
LABOR COMMISSIONER

January 20, 1976

Mr. Morris L. Brusett  
Legislative Auditor  
Office of the Legislative Auditor  
State Capitol Building  
Helena, Montana 59601

Dear Mr. Brusett:

In response to your letter, with the enclosed copy of the audit performed of the Department of Labor and Industry, Labor Standards Division by Peterson and More, C.P.A.'s, there were several meetings with the Division Administrator and Chiefs of the Bureaus to study, analyze and recommend answers where required.

The report is constructive and the recommendations will be complied with as outlined by Administrator Tony Softich, and Chief of the Human Rights Bureau, Ray Brown.

Most of the period covered by the report was prior to employment of a full time fiscal employee, and many of the errors were due to part time employees, and others taken from there full time tasks to keep the accounts and process payrolls, claims, purchase orders, etc. Most of the accounting errors and other recommendations have been corrected.

The Veterans Apprenticeship and O.J.T. funds will be obligated as outlined under terms of the contract. The Department of Administration will work with your office and the Labor Standards Division to set up acceptable accounting procedures to accomplish the recommendations called for in the report.

With the increase in activities within the Division, there will be need for an additional full time employee to work with the one full time employee assigned to the accounting and fiscal needs of the Division.

While the audit is limited to fiscal matters, I wish to recommend other needs. Administrator Tony Softich will also need several full time employees to fulfill the obligations placed on the Division. The Division has never been fully or properly staffed to carry out the duties placed within it, as mentioned in the second paragraph of Mr. Softich's report on the recommendations. Based on the number of wage claims in the



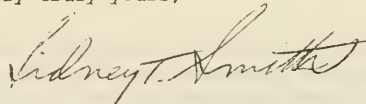


Division is able to handle with only three full time employees in the wage and hour bureau, I feel certain that there is at least one million to a million and a half dollars of wages not payed, or under payed, that could and should be collected for workers that have earned these wages. Proper staffing of this bureau is essential to accomplish this task of securing wages earned but not payed. Other programs also suffer due to lack of staffing.

I feel the audit was needed, and the recommendations have been, or will be carried out. This is the first audit of the Division (which was the Department of Labor and Industry before reorganization) since I have been Commissioner for seven years. I would recommend an audit at least every two years.

I also wish to complement the C.P.A.'s of Peterson and More for their professional competence.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Sidney T. Smith". The signature is fluid and cursive, with a large, sweeping initial 'S'.

Sidney T. Smith, Commissioner  
DEPARTMENT OF LABOR & INDUSTRY

Enclosure





Department of Labor and Industry  
Labor Standards Division

1331 HELENA AVENUE, HELENA, MONTANA 59601

THOMAS L. JUDGE  
GOVERNOR OF MONTANA

SIDNEY T. SMITH  
COMMISSIONER OF LABOR & INDUSTRY

TONY SOFTICH  
ADMINISTRATOR

January 19, 1976

Sidney T. Smith  
Commissioner of Labor & Industry  
1331 Helena Avenue  
Helena, Montana 59601

Dear Mr. Smith:

I would like to expand on the auditors general comment that the primary function of the Labor Standards Division is administration of State Labor Laws including only Minimum Wage and Hour Laws, Wage Payment Plan, Wage Collection Act, Licensing of Private Employment Agencies, Apprenticeship and On-the-Job Training including portions for Veterans Administration.

The report fails to comment on very pertinent laws such as Child Labor, Predetermined Minimum Wages in Public Works Contracts, Restaurant, Bar and Tavern Wage Protection Act, Policing of Private Employment Agencies, Nurses Relations Act, Compulsory Hearings under the Administrative Procedure Act when requested, edict of Supreme Court, and subsequent laws which became effective July 1, 1975 such as Maternity Leave affecting vast numbers of women in employment, plus some minor laws all of which are time consuming, such as unlawful withholding from wages, vacations in public and private employment, lie detector tests in employment, garnishments, black listing, kickbacks, professional strike breakers, construction contractors surety bond requirements, collection of unemployment tax under surety bond coverage, conciliation and mediation in labor disputes not under coverage of the National Labor Relations Act, numerous appearances before public bodies to explain the effect of labor laws of their concern, and initiate corrective and needed legislation on labor laws.

The report fails to point out, that to moderately comply in the enforcement of the labor laws it is physically impossible, for lack of personnel.

We are deeply appreciative of the recommendations contained in the report, as they give us constructive guidance which wasn't previously available.

Corrective measures are being undertaken to conform to the recommendations as follows:

VETERANS ADMINISTRATION

Disagree; his recommendation is not consistent with Department of Administration Policy concerning accrual of revenue. It is the Bureau's recommendation that the Legislative Auditor, Department of Administration and the Labor Standards Division meet and agree on policy and procedure of disbursement of V. A. monies.



We further agree to establish accountability methods where federal funds are used prior to state funds, and reconcile to expenditure reports.

Public Service Agreement, accounting errors and corrective measures necessary to rectify, are scheduled for Monday, January 19, 1976 with the assistance of an accountant from the Accounting Division of the Department of Administration, as recommended.

On accounting errors, monthly financial statements will be reviewed and analyzed with responsible personnel of each bureau.

#### BOARD OF PERSONNEL APPEALS

The Board of Personnel Appeals agrees that the procedure for billing the appropriate union and management unit for fact finding costs and subsequent control over any unpaid amounts is inadequate. The Board of Personnel Appeals also agrees with the recommendations set forth on page 9 of the audit report. In response to these recommendations, we intend to take the following action as soon as possible, but no later than February 15, 1976.

1. Establish a ready-reference master listing sheet which will indicate the case number, (for example, FF-'76-#1), the dates the union and management unit were billed and payments received.

2. Design a pre-numbered standard form on which to bill the appropriate union and management for expenses incurred by the fact finder. These forms will be in duplicate and a copy filed in the case file to be marked paid upon receipt of the amounts from the parties.

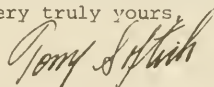
3. A card file system will be established. Information on these cards will include the name of the dispute, the date the fact finders expenses were received in this office the dates the union and management were billed and the dates the payments were received from the parties. This accounts receivable control will be cross referenced with a master listing sheet of amounts billed but unpaid (Item 1) and the retained copy of the pre-number standards billing form (Item 2).

The entire Labor Standards Division is in the process of establishing a detailed control ledger of all fixed assets, and annual inventories shall be conducted as recommended.

To conform to recommendations on the Wage Trust Account, attached is a detailed method to be utilized.

The Human Rights portion of the report is also attached, and as of July 1, 1976 the entire control of the budget is under direction of the Human Rights Commission.

Very truly yours,



Tony Softich, Administrator  
LABOR STANDARDS DIVISION



## WAGE TRUST ACCOUNT

### FILING SYSTEM

A new filing system will be instituted retroactive to January 1, 1976. The system will use a file number for each case. The cases will be filed by number rather than by the name of the employer. The claim number will be placed on all correspondence, checks and forms that are a part of that claim. A cross indexing system will be maintained that will enable the bureau to retrieve information from the file system.

### PROCEDURE FOR HANDLING CHECKS

1. Whenever a request is made that an employer send a check for wages to the Labor Standards Division it should be clearly stated that the check must be certified, or a cashiers check and that it be made payable to the Labor Standards Division.
2. Each check received in the office by the Standards Bureau would have the file number written by us on the upper left hand corner of the check. This would make the check easily traceable to the proper file.
3. Even though we request the employer to make checks payable to the Labor Standards Division we will undoubtedly receive some checks made out in the name of the claimant. These checks would be copied with the copy placed in the file and the original check mailed to the claimant with a cover letter explaining the payment.
4. Checks made out to other than the claimant (example; Labor Standards Division, Labor Commissioner, Administrator etc.) would also have the case or file number written by us on the upper left hand corner of the check. The check would be recorded in a check log book by:
  - a. the file number
  - b. the employer's firm name
  - c. the claimant's name

This check log book would be maintained by the Standards Bureau. Photocopies of the checks would be placed in the appropriate file and the checks would be deposited in the agency fund and a state warrant requested for the individual or individuals having the wages due.





This procedure will be carried out as follows:

a. The checks will be properly endorsed and attached to a standard form which will contain the following information:

1. file number
2. name of employer
3. number of check
4. amount of check
5. date of check
6. name or names of persons for whom state warrant is drawn
7. amount of wages due employee or claimant

b. The request form must be signed by either the Administrator of the Labor Standards Division or the Chief of Standards Bureau. The checks and the request form will then be given to the Labor Standards Division staff accountant for transmittal to the state accounting department. A copy of the request form and a copy of the checks will be placed in the appropriate case file.

c. A check log will be maintained by the Standards Bureau in which the checks will be registered showing:

1. the file number
2. name of claimant or employee
3. firm name of employer, or in cases where there is no firm name then the last name of the employer

5. State warrants received in this office for transmittal to claimants will have the file number written in the upper left hand corner of face of the warrant. A copy of the warrant will be placed in the file and the warrant mailed to the claimant or employee with an appropriate cover letter.

6. In cases where checks are returned by the post office as undeliverable a strong effort should be made to locate the claimant using the following procedure:

a. Recheck with the employer to confirm whether or not the address we have is correct.

b. Check the telephone directory for the town where the claimant resides and attempt to contact him by phone.

c. Using the claimant's social security number, check with the Employment Security Division. This should be done at the local office and then at the state office.

d. Write to Social Security Office in Baltimore, Maryland and ask them to notify the claimant that we are holding wages in trust for him.

e. If the claimant cannot be found and the warrant or check cannot be delivered to him then it must be deposited in the agency fund to be held in trust.



7. Section 41-1314.3 R.C.M. 1947 provides that the Commissioner of Labor shall deposit wages collected by him under Title 41, Chapter 13 and 23, into the agency fund and that if payment cannot be made and the wages remain unclaimed for a period of more than two years from the date of collection they shall be forfeited to the state general fund.

Beginning August 1, 1976 the Labor Standards Division will each month compute the amount of wages that has remained unclaimed for more than two years and will transmit such unclaimed wages to the general fund.



## WARRANT AND CHECK TRANSMITTAL FORM

FILE # \_\_\_\_\_

DATE \_\_\_\_\_ 19\_\_

EMPLOYERS NAME \_\_\_\_\_

DEPOSIT IN AGENCY FUND - EMPLOYERS CHECK #

DATE OF CHECK	19	AMOUNT \$
---------------	----	-----------

IS THIS CHECK A REPLACEMENT FOR A N.S.F. CHECK PREVIOUSLY DEPOSITED

REQUEST STATE WARRANTS FOR

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$

\$ \_\_\_\_\_

\$

\$

\$

§

\$

TOTAL \$

DEPOSIT UNCLAIMED WARRANTS/CHECKS IN AGENCY FUND

Name

Amount

\$

\$

\$

\$

\$

TOTAL \$

Signed by:

NOTE: Record all applicable information. Attach warrants or checks to form, put copy of transmittal form in case file. Place transmittal form and checks warrants in secretary's basket for recording in check log.





STATE OF MONTANA  
HUMAN RIGHTS COMMISSION

620 POWER BLOCK  
HELENA, MONTANA 59601

2

THOMAS L. JUDGE  
GOVERNOR OF MONTANA

RAYMOND D. BROWN  
CHIEF, HUMAN RIGHTS BUREAU

PHONE (406) 449-2884

COMMISSION

ELSIE MCGARVEY  
CHAIRPERSON  
KALISPELL

DAVID E. FULLER  
HELENA

PHILIP E. ROY  
BROWNING

DELORES STORM  
FORSYTH

LEE TOPASH  
HELENA

January 19, 1976

TO: Mr. Sidney T. Smith, Commissioner, Labor & Industry

FROM: Raymond D. Brown, Chief, Human Rights Bureau

SUBJECT: Peterson & Moore Report to the Legislative Audit Committee.

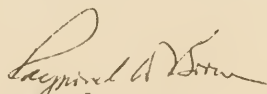
Three matters of the auditors report pertain to the Human Rights Bureau.

1. Unexpended Grant Revenue: As reported on page 11 of the auditors report, monies received from EEOC were not expended as authorized. Three major factors were involved which resulted in the none use of funds. They are a). initial monies were not received from the EEOC until March of 1975. This delayed hiring of personnel. b). Further hiring of personnel was delayed because of action of the legislative finance committee withholding of funds for July of 75 resulting in (1) suspension of one FTE and (2) unable to hire of 1.5 FTE's as well as (3) no authorized use of related funds.

The Human Rights Bureau agrees with the recommendation that a policy be established that all funds received are properly expended in accordance with the grant contract and at the same time in compliance with state law.

2. Fixed assets: The Human Rights Bureau will establish a detailed control ledger of all office furniture and equipment by February 28, 1976. Further, an annual inventory will be established. The first such inventory will be completed for fiscal year 1976.

3. Accounting Errors: The Human Rights Bureau concurs with the recommendation of the auditor that the Labor Standards Division establish the policy for monthly financial statements review by authorized program personnel. This would be beneficial.

  
Raymond D. Brown  
Chief

Human Rights Bureau







